

AUDITING PROCEDURES REPORT

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Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name VILLAGE OF CLAYTON	County LENAWEE
Audit Date MARCH 31, 2005	Opinion Date JUNE 23, 2005	Date Accountant Report Submitted to State: AUGUST 2, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

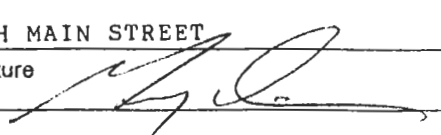
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			X
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) ROBERTSON, EATON & OWEN, P.C.			
Street Address 121 NORTH MAIN STREET	City ADRIAN	State MI	ZIP 49221
Accountant Signature 			

VILLAGE OF CLAYTON, MICHIGAN

FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2005

**WITH
INDEPENDENT AUDITORS' REPORT**

VILLAGE OF CLAYTON, MICHIGAN
INDEPENDENT AUDITORS' REPORT
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VILLAGE OF CLAYTON, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2005

As management of the Village of Clayton, Michigan, we offer readers of the Village of Clayton, Michigan's financial statements this narrative overview and analysis of the financial activities of the Village of Clayton, Michigan for the fiscal year ended March 31, 2005. We encourage readers to consider the information presented here.

Financial Highlights

- The assets of the Village of Clayton, Michigan exceeded its liabilities at the close of the most recent fiscal year \$1,870,684 (*net assets*). Of this amount, \$108,244 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased \$3,024.
- As of the close of the current year, the Village of Clayton, Michigan's governmental funds reported combined ending fund balances of \$172,259, an increase of \$20,800 in comparison with the prior year.
- At the end of the current year, unreserved fund balance for the general fund was \$1,343, or 0.10 percent of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Village of Clayton, Michigan's basic financial statements. The Village of Clayton, Michigan's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Village of Clayton, Michigan's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Village of Clayton, Michigan's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Village of Clayton, Michigan is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

Both of the government-wide financial statements distinguish functions of the Village of Clayton, Michigan that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Village of Clayton, Michigan include general government, public safety, highways and streets, sanitation, and culture and recreation. The business-type activities of the Village of Clayton, Michigan include the Sewer Fund.

The government-wide financial statements can be found on pages 2 – 4 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village of Clayton, Michigan, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village of Clayton, Michigan can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Village of Clayton, Michigan maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Major Street Fund, and Local Street Fund, which are considered to be major funds.

The Village of Clayton, Michigan adopts an annual appropriated budget for all funds. A budgetary comparison statement has been provided for all governmental funds to demonstrate compliance with budget.

The basic governmental fund financial statements can be found on pages 5 – 11 of this report.

Proprietary funds. The Village of Clayton, Michigan maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Village of Clayton, Michigan uses an enterprise fund to account for its Sewer Fund. The *Internal Service Fund* is an accounting device used to accumulate and allocate costs internally among the Village of Clayton, Michigan's various functions. The Village of Clayton, Michigan uses an internal service fund to account for equipment expense (Equipment Fund). Because this service predominantly benefits governmental rather than a business-type function it has been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the Sewer Fund, which is considered to be a major fund of the Village of Clayton, Michigan. The internal service fund (Equipment Fund) is in the proprietary fund financial statements.

The basic fund financial statements can be found on pages 12 – 14 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on page 15 – 24 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Village of Clayton, Michigan, assets exceeded liabilities by \$1,870,684 at the close of the most recent fiscal year.

By far the largest portion of the Village of Clayton, Michigan's net assets (85 percent) reflects its investment in capital assets (e.g., land, buildings, equipment, infrastructure), less any related debt used to acquire those assets that is still outstanding. The Village of Clayton, Michigan uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Village of Clayton, Michigan's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay any debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Village of Clayton, Michigan's Net Assets

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Current and other assets	\$ 179,082	\$ 103,400	\$ 282,482
Capital assets	<u>340,989</u>	<u>1,250,535</u>	<u>1,591,524</u>
Total assets	<u>\$ 520,071</u>	<u>\$ 1,353,935</u>	<u>\$ 1,874,006</u>
Liabilities	<u>\$ 1,669</u>	<u>\$ 1,653</u>	<u>\$ 3,322</u>
Total liabilities	<u>\$ 1,669</u>	<u>\$ 1,653</u>	<u>\$ 3,322</u>
Net assets:			
Invested in capital assets, net of related debt	\$ 340,989	\$ 1,250,535	\$ 1,591,524
Restricted	170,916		170,916
Unrestricted	<u>6,497</u>	<u>101,747</u>	<u>108,244</u>
Total net assets	<u>\$ 518,402</u>	<u>\$ 1,352,282</u>	<u>\$ 1,870,684</u>

An additional portion of the Village of Clayton, Michigan's net assets (9 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$108,244) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Village of Clayton, Michigan is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Financial Analysis of the Government's Funds

As noted earlier, the Village of Clayton, Michigan uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Village of Clayton, Michigan's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Village of Clayton, Michigan's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of this fiscal year.

As of the end of the current fiscal year, the Village of Clayton, Michigan's governmental funds reported combined ending fund balances of \$172,259, an increase of \$20,800 in comparison with the prior year. Special Revenue Funds have \$170,916 available for their special uses.

The General Fund is the chief operating fund of the Village of Clayton, Michigan. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$1,343.

The fund balance of the Village of Clayton, Michigan's General Fund decreased by (\$12,100) during the current fiscal year. A key factor in this decrease was expenditures in the General Fund included costs of Community Center.

Proprietary fund - The Village of Clayton, Michigan's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Sewer Fund at the end of the year amounted to \$101,747. The total decrease in net assets for the fund was (\$28,430). This decrease effected by depreciation expense of \$30,961.

General Fund Budgetary Highlights

There were no major differences which could be applied to the original budget. Therefore, there was no need for an amended budget.

Capital Asset and Debt Administration

Capital assets. The Village of Clayton, Michigan's investment in capital assets for its governmental and business-type activities as of March 31, 2005, amounts to \$1,591,524 (net of accumulated depreciation). This investment in capital assets includes land, buildings and utility systems, machinery and equipment, park facilities, and roads. The total increase in the Village of Clayton, Michigan's investment in capital assets for the current fiscal year was 2% (a 6% increase for governmental activities and -0- percent increase for business-type activities).

Village of Clayton, Michigan's Capital Assets

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Land	\$ 7,116	\$ 28,625	\$ 35,741
Land improvements	20,691		20,691
Buildings	150,439		150,439
Equipment, furniture, and books	61,736		61,736
Infrastructure – roads	101,007		101,007
Sewer system		1,221,910	1,221,910
	<u>\$ 340,989</u>	<u>\$ 1,250,535</u>	<u>\$ 1,591,524</u>

Additional information on the Village of Clayton's capital assets can be found in Note 3. C. on pages 22 – 23.

Economic Factors and Next Year's Budgets and Rates

The major factors in next year's budget can be contributed to higher rates for electric, gas heating, and fuel rates. These factors were considered in preparing the Village of Clayton's budget for 2005-06.

Requests for Information

This financial report is designed to provide a general overview of the Village of Clayton, Michigan's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Village of Clayton, P.O. Box 74, Clayton, Michigan 49235.

June 23, 2005

INDEPENDENT AUDITORS' REPORT

Village of Clayton
Clayton, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Clayton, Michigan, as of and for the year ended March 31, 2005, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Clayton, Michigan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Clayton, Michigan, as of March 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Village has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of April 1, 2004.

The management's discussion and analysis on pages i through v is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Robertson, Eaton & Owen, P.C.

VILLAGE OF CLAYTON, MICHIGAN

STATEMENT OF NET ASSETS

March 31, 2005

PRIMARY GOVERNMENT

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS:			
Cash and cash equivalents	\$ 147,880	\$ 8,864	\$ 156,744
Investments	68,000	45,000	113,000
Receivables (net)	5,734	7,004	12,738
Internal balances	(42,532)	42,532	
Capital assets:			
Land	7,116	28,625	35,741
Land improvements	31,996		31,996
Buildings	218,511		218,511
Equipment, machinery, furnishings, and books	173,102		173,102
Infrastructure	224,461		224,461
Sewer system		1,546,926	1,546,926
Less: Accumulated depreciation	<u>(314,197)</u>	<u>(325,016)</u>	<u>(639,213)</u>
Total assets	<u>\$ 520,071</u>	<u>\$ 1,353,935</u>	<u>\$ 1,874,006</u>
LIABILITIES:			
Accounts payable	\$ 1,623	\$ 1,653	\$ 3,276
Accrued expenses	<u>46</u>	<u></u>	<u>46</u>
Total liabilities	<u>\$ 1,669</u>	<u>\$ 1,653</u>	<u>\$ 3,322</u>
NET ASSETS:			
Invested in capital assets, net of related debt	\$ 340,989	\$ 1,250,535	\$ 1,591,524
Restricted for:			
Major streets	79,276		79,276
Local streets	91,640		91,640
Unrestricted	<u>6,497</u>	<u>101,747</u>	<u>108,244</u>
Total net assets	<u>\$ 518,402</u>	<u>\$ 1,352,282</u>	<u>\$ 1,870,684</u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF CLAYTON, MICHIGAN

STATEMENT OF ACTIVITIES

For the Year Ended March 31, 2005

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
Governmental activities:				
General government	\$ 42,821	\$ 3,318	\$	\$ 5,076
Public safety	24,575			
Sanitation	8,694	13,335		
Culture and recreation	8,759			
Highways, streets, and bridges	<u>17,804</u>	<u> </u>	<u> </u>	<u> </u>
Total governmental activities	<u>102,653</u>	<u>16,653</u>	<u>-</u>	<u>5,076</u>
Business-Type activities:				
Sewer system	<u>57,944</u>	<u>29,239</u>	<u> </u>	<u> </u>
Total business-type activities	<u>57,944</u>	<u>29,239</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 160,597</u>	<u>\$ 45,892</u>	<u>\$ -</u>	<u>\$ 5,076</u>

General Revenues:

Property taxes
Intergovernmental – State
Unrestricted investment earnings
Miscellaneous

Total general revenues

Change in net assets

Net assets – beginning of year

Net assets – end of year

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets
Primary Government

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ (34,427)	\$	\$ (34,427)
(24,575)		(24,575)
4,641		4,641
(8,759)		(8,759)
<u>(17,804)</u>	<u></u>	<u>(17,804)</u>
<u>(80,924)</u>	<u>-</u>	<u>(80,924)</u>
<u></u>	<u>(28,705)</u>	<u>(28,705)</u>
<u>-</u>	<u>(28,705)</u>	<u>(28,705)</u>
<u>\$ (80,924)</u>	<u>\$ (28,705)</u>	<u>\$ (109,629)</u>
\$ 36,992	\$	\$ 36,992
69,812		69,812
1,463	275	1,738
<u>4,111</u>	<u></u>	<u>4,111</u>
<u>112,378</u>	<u>275</u>	<u>112,653</u>
31,454	(28,430)	3,024
<u>486,948</u>	<u>1,380,712</u>	<u>1,867,660</u>
<u>\$ 518,402</u>	<u>\$ 1,352,282</u>	<u>\$ 1,870,684</u>

VILLAGE OF CLAYTON, MICHIGAN

BALANCE SHEET

GOVERNMENTAL FUNDS

March 31, 2005

	<u>General Fund</u>	<u>Major Street Fund</u>	<u>Local Street Fund</u>	<u>Total Governmental Funds</u>
ASSETS:				
Cash and cash equivalents	\$ 39,810	\$ 46,276	\$ 56,640	\$ 142,726
Investments		33,000	35,000	68,000
Accounts receivable	<u>5,734</u>	<u> </u>	<u> </u>	<u>5,734</u>
Total assets	<u>\$ 45,544</u>	<u>\$ 79,276</u>	<u>\$ 91,640</u>	<u>\$ 216,460</u>
LIABILITIES:				
Accounts payable	\$ 1,623	\$	\$	\$ 1,623
Accrued liabilities	46			46
Due to other funds	2,532			2,532
Advance from other funds	<u>40,000</u>	<u> </u>	<u> </u>	<u>40,000</u>
Unearned revenue				
Total liabilities	<u>44,201</u>	<u>-</u>	<u>-</u>	<u>44,201</u>
FUND BALANCES				
Unreserved, reported in:				
General Fund	1,343			1,343
Major Street Fund		79,276		79,276
Local Street Fund			91,640	91,640
Total fund balances	<u>1,343</u>	<u>79,276</u>	<u>91,640</u>	<u>172,259</u>
Total liabilities and fund balances	<u>\$ 45,544</u>	<u>\$ 79,276</u>	<u>\$ 91,640</u>	<u>\$ 216,460</u>

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	\$ 340,989
Internal Service Fund (Equipment Fund) is used by the Village to charge for equipment rental to the individual funds. The assets and liabilities of the Equipment Fund are included in governmental activities in the Statement of Net Assets.	<u>5,154</u>
Net differences	346,143
Total fund balance in governmental funds	<u>172,259</u>
Total net assets of governmental activities	<u>\$ 518,402</u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF CLAYTON, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –

GOVERNMENTAL FUNDS

For the Year Ended March 31, 2005

	<u>General Fund</u>	<u>Major Street Fund</u>	<u>Local Street Fund</u>	<u>Total Governmental Funds</u>
Revenues:				
Property taxes	\$ 36,992	\$	\$	\$ 36,992
Charges for services	13,335			13,335
State shared revenue	32,486	27,122	10,204	69,812
Interest	663	310	485	1,458
Miscellaneous revenues	4,111			4,111
Donations	<u>5,076</u>	<u> </u>	<u> </u>	<u>5,076</u>
 Total revenues	 <u>92,663</u>	 <u>27,432</u>	 <u>10,689</u>	 <u>130,784</u>
Expenditures:				
Current:				
General government	69,328			69,328
Public safety	23,421			23,421
Sanitation	8,694			8,694
Culture and recreation	3,320			3,320
Highways, streets, and bridges	<u> </u>	<u>2,782</u>	<u>2,439</u>	<u>5,221</u>
 Total expenditures	 <u>104,763</u>	 <u>2,782</u>	 <u>2,439</u>	 <u>109,984</u>
 Excess (deficiency) of revenues over (under) expenditures	 <u>(12,100)</u>	 <u>24,650</u>	 <u>8,250</u>	 <u>20,800</u>
Other financing sources (uses):				
Transfers in			6,782	6,782
Transfers out	<u> </u>	<u>(6,782)</u>	<u> </u>	<u>(6,782)</u>
 Total other financing sources (uses)	 <u>-</u>	 <u>(6,782)</u>	 <u>6,782</u>	 <u>-</u>
 Net change in fund balances	 (12,100)	 17,868	 15,032	 20,800
 Fund balances - beginning of year	 <u>13,443</u>	 <u>61,408</u>	 <u>76,608</u>	 <u>151,459</u>
 Fund balances - end of year	 <u>\$ 1,343</u>	 <u>\$ 79,276</u>	 <u>\$ 91,640</u>	 <u>\$ 172,259</u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF CLAYTON, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS

March 31, 2005

Amounts reported for governmental activities in the
Statement of Activities are different because:

Net change in fund balance – total governmental funds	\$ 20,800
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Governmental funds report capital outlays as expenditures.
However, in the Statement of Activities, the cost of those
assets is allocated over their estimated useful lives and
reported as depreciation expense. This is the amount by
which capital outlays exceeded depreciation in the current
period. (Total capital outlay \$32,663 less total depreciation
outlays \$24,316).

8,347

Internal Service Fund (Equipment Fund) is used by
the Village to charge equipment rental to the
individual funds. The net income (adjusted for
depreciation) of the Equipment Fund is reported
with governmental activities.

<u>2,307</u>

Change in net assets in governmental activities

<u>\$ 31,454</u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF CLAYTON, MICHIGAN

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL

For the Year Ended March 31, 2005

	Budgeted Amounts Original & Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Property taxes	\$ 37,000	\$ 36,992	\$ (8)
Charges for services:			
Refuse collection	13,500	13,335	(165)
Total charges for services	13,500	13,335	(165)
State shared revenue:			
Sales tax	34,000	32,348	(1,652)
Liquor tax	138	138	
Total state shared revenue	34,138	32,486	(1,652)
Miscellaneous:			
Interest	350	663	313
Donations	6,000	5,076	(924)
Other	3,000	4,111	1,111
Total miscellaneous	9,350	9,850	500
Total revenues	93,988	92,663	(1,325)
Expenditures:			
General Government			
Village Council	2,880	2,160	720
President	1,680	1,640	40
Clerk	1,930	1,849	81
Treasurer	2,580	2,432	148
Insurance	14,000	16,548	(2,548)
Miscellaneous	4,210	11,342	(7,132)
Special meetings	720		720
Advertising		113	(113)
Election expense	1,000		1,000
Professional fees	350		350
Payroll taxes	1,000	806	194
Audit	3,500		3,500
Building and grounds	37,950	32,438	5,512
Total General Government	71,800	69,328	2,472
Total expenditures carried forward	\$ 71,800	\$ 69,328	\$ 2,472

The notes to the financial statements are an integral part of this statement.

VILLAGE OF CLAYTON, MICHIGAN

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL

For the Year Ended March 31, 2005

	Budgeted Amounts Original & Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
Total expenditures carried forward	\$ 71,800	\$ 69,328	\$ 2,472
Public Health and Safety:			
Law enforcement	138		138
Building Inspector	850	862	(12)
Street/Drain Commissioner	650	650	
Fire	17,174	17,328	(154)
Street lighting	4,800	4,581	219
Total Public Health and Safety	23,612	23,421	191
Sanitation	9,900	8,694	1,206
Culture and recreation	13,000	3,320	9,680
Total expenditures	118,312	104,763	13,549
Net change in fund balance	(24,324)	(12,100)	12,224
Fund balance – beginning of year		13,443	
Fund balance – end of year		\$ 1,343	

The notes to the financial statements are an integral part of this statement.

VILLAGE OF CLAYTON, MICHIGAN

MAJOR STREET SPECIAL REVENUE FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL

For the Year Ended March 31, 2005

	Budgeted Amounts Original & Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Intergovernmental:			
State Highway Department	\$ 24,000	\$ 27,122	\$ 3,122
Miscellaneous:			
Interest	400	310	(90)
Miscellaneous	<u>200</u>	<u> </u>	<u>(200)</u>
Total revenues	<u>24,600</u>	<u>27,432</u>	<u>2,832</u>
Expenditures:			
Routine maintenance	40,000	1,912	38,088
Winter maintenance	2,000	757	1,243
Drains	1,500	113	1,387
Signs	<u>3,000</u>	<u> </u>	<u>3,000</u>
Total expenditures	<u>46,500</u>	<u>2,782</u>	<u>43,718</u>
Excess (deficiency) of revenues over (under) expenditures	(21,900)	24,650	46,550
Other financing uses:			
Transfers out	<u>(6,000)</u>	<u>(6,782)</u>	<u>(782)</u>
Net change in fund balance	(27,900)	17,868	45,768
Fund balance – beginning of year		<u>61,408</u>	
Fund balance – end of year		<u>\$ 79,276</u>	

The notes to the financial statements are an integral part of this statement.

VILLAGE OF CLAYTON, MICHIGAN

LOCAL STREET SPECIAL REVENUE FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL

For the Year Ended March 31, 2005

	Budgeted Amounts Original & <u>Final</u>	<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
Revenues:			
Intergovernmental:			
State Highway Department	\$ 9,800	\$ 10,204	\$ 404
Miscellaneous:			
Interest	400	485	85
Miscellaneous	<u>100</u>	<u> </u>	<u>(100)</u>
Total revenues	<u>10,300</u>	<u>10,689</u>	<u>389</u>
Expenditures:			
Routine maintenance	39,000	2,041	36,959
Winter maintenance	2,000	293	1,707
Drains	1,500	105	1,395
Signs	<u>2,500</u>	<u> </u>	<u>2,500</u>
Total expenditures	<u>45,000</u>	<u>2,439</u>	<u>42,561</u>
Excess (deficiency) of revenues over (under) expenditures	(34,700)	8,250	42,950
Other financing sources:			
Transfers in	<u>6,000</u>	<u>6,782</u>	<u>782</u>
Net change in fund balance	(28,700)	15,032	43,732
Fund balance – beginning of year		<u>76,608</u>	
Fund balance – end of year		<u>\$ 91,640</u>	

The notes to the financial statements are an integral part of this statement.

VILLAGE OF CLAYTON, MICHIGAN

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

March 31, 2005

	<u>Business Type Activity - Enterprise Fund</u>	<u>Governmental Activity - Intergovernmental Service Fund</u>
	<u>Sewer Fund</u>	<u>Equipment Fund</u>
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 8,864	\$ 5,154
Investments	45,000	
Receivables:		
Sewer usage	7,004	
Due from other funds	2,532	
Advance to other funds	<u>40,000</u>	<u> </u>
Total current assets	<u>103,400</u>	<u>5,154</u>
Capital assets:		
Land	28,625	
Sewer system	1,546,926	
Building		45,498
Equipment		57,102
Less: Accumulated depreciation	<u>(325,016)</u>	<u>(79,558)</u>
Total capital assets – net	<u>1,250,535</u>	<u>23,042</u>
Total assets	<u>\$ 1,353,935</u>	<u>\$ 28,196</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	\$ <u>1,653</u>	\$ <u>-</u>
Total current liabilities	<u>1,653</u>	<u>-</u>
NET ASSETS:		
Invested in capital assets	1,250,535	23,042
Unrestricted	<u>101,747</u>	<u>5,154</u>
Total net assets	<u>\$ 1,352,282</u>	<u>\$ 28,196</u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF CLAYTON, MICHIGAN

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

PROPRIETARY FUNDS

For the Year Ended March 31, 2005

	<u>Business Type Activity - Enterprise Fund</u>	<u>Governmental Activity - Intergovernmental Service Fund</u>
	<u>Sewer Fund</u>	<u>Equipment Fund</u>
Operating revenues:		
Billings to departments	\$	\$ 3,318
User fees	<u>29,239</u>	<u></u>
Total operating revenues	<u>29,239</u>	<u>3,318</u>
Operating expenses:		
Billing fees	1,044	
Repairs, maintenance, and materials	22,572	720
Gas and oil		296
Depreciation	30,961	4,080
Administration	<u>3,367</u>	<u></u>
Total operating expenses	<u>57,944</u>	<u>5,096</u>
Operating loss	(28,705)	(1,778)
Nonoperating revenues:		
Interest	<u>275</u>	<u>5</u>
Change in net assets	(28,430)	(1,773)
Total net assets – beginning of year	<u>1,380,712</u>	<u>29,969</u>
Total net assets – end of year	<u>\$ 1,352,282</u>	<u>\$ 28,196</u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF CLAYTON, MICHIGAN

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

For the Year Ended March 31, 2005

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	<u>Business Type Activity - Enterprise Fund</u>	<u>Governmental Activity - Intergovernmental Service Fund</u>
	<u>Sewer Fund</u>	<u>Equipment Fund</u>
Cash flows from operating activities:		
Cash received from customers	\$ 26,459	\$ 3,318
Cash paid to suppliers and employees	<u>(27,184)</u>	<u>(1,016)</u>
Net cash provided by (used in) operating activities	<u>(725)</u>	<u>2,302</u>
Cash flows from financing activities:		
Interest and other income received	<u>275</u>	<u>5</u>
Net cash provided by financing activities	<u>275</u>	<u>5</u>
Net increase (decrease) in cash and cash equivalents	(450)	2,307
Cash and cash equivalents – beginning of year	<u>9,314</u>	<u>2,847</u>
Cash and cash equivalents – end of year	<u>\$ 8,864</u>	<u>\$ 5,154</u>

RECONCILIATION OF LOSS FROM OPERATIONS TO NET CASH
PROVIDED BY (USED IN) OPERATING ACTIVITIES

Loss from operations	\$ (28,705)	\$ (1,778)
Adjustments to reconcile loss from operations to net cash provided by (used in) operating activities:	30,961	4,080
Depreciation expense		
Changes in assets and liabilities:		
Decrease (increase) in accounts receivable	(248)	
Due from other funds	(2,532)	
Increase (decrease) in accounts payable	<u>(201)</u>	
Net cash provided by (used in) operating activities	<u>\$ (725)</u>	<u>\$ 2,302</u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF CLAYTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
March 31, 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Village of Clayton, Michigan (Village) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units

Effective April 1, 2004, the Village of Clayton, Michigan implemented the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Significant changes in the statement include the following:

- ◆ A Management's Discussion and Analysis (MD&A) section providing an analysis of the Village's overall financial position and results of operations has been included with the financial statements.
- ◆ Financial statements prepared using full accrual accounting for all of the Village's activities.
- ◆ A change in the fund financial statements to focus on the major fund.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements). The Village of Clayton, Michigan has elected to implement the general provisions of the statement.

A. Reporting Entity

The Village of Clayton is a General Law Village as provided under the General Village Act of 1895, governed by the Village Council. As required by generally accepted accounting principles, these financial statements present the Village of Clayton, Michigan as a primary government. There are no component units to the Village.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

VILLAGE OF CLAYTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

March 31, 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Separate financial statements are provided for governmental funds and proprietary funds even though the latter are excluded from the government-wide financial statements. Major governmental funds and a major enterprise fund are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Amounts due from other governments and services provided associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Major Street Fund* is a Special Revenue Fund that receives State and local funding for the purpose of construction and maintenance of Village streets designated as major streets under the State of Michigan Act 51 of Public Acts of 1951.

The *Local Street Fund* is a Special Revenue Fund that receives State and local funding for the purpose of construction and maintenance of Village streets designated as local streets under the State of Michigan Act 51 of Public Acts of 1951.

The government reports the following major proprietary fund:

The *Sewer Fund* accounts for the construction and operations of the sewer system.

VILLAGE OF CLAYTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

March 31, 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Additionally, the government reports the following fund type:

The *Equipment Fund* (Intergovernmental Service Fund) is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the Village, or to other governments, on a cost-reimbursement basis.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of the following subsequent private-sector guidance for their business-type activities (Sewer Fund), subject to this same limitation. The Village has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments of utility charges between the Village's sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various function concerned.

Amounts reported as *program revenues* included 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

The Proprietary Fund distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Sewer Fund relate to charges to customers for sales and services. Operating expenses for this fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

VILLAGE OF CLAYTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

March 31, 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, liabilities, and net assets or equity.

1. Cash and investments

Cash includes amounts in cash on hand, demand deposits, except those deposits noted as investments (see below), as well as short-term investments with a maturity date within three months of the date acquired by the government.

Investments include certificates of deposit where the intent is to hold funds long-term, as well as investments with maturity dates over three months of the date acquired by the government.

State statutes authorize the government to invest in Obligations of the U.S. Treasury, Federal Agencies, commercial paper, corporate bonds, repurchase agreements, and State approved Investment Pools.

Investments are stated at cost or amortized cost. The Village will use amortized cost only when it reflects fair value of the investment. Currently, no investments are stated at amortized cost

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

The Village had one advance between funds at March 31, 2005.

Personal property taxes receivable is shown net of an allowance for uncollectibles.

Property taxes are levied as of July 1 on property values assessed as of the prior December 1. The billing is mailed on July 1 and is considered due upon receipt by the taxpayer; however, the actual due date is September 14. A lien on property occurs when property taxes are levied (July 1). On September 14, the bill becomes delinquent and penalties and interest may be assessed by the government.

VILLAGE OF CLAYTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

March 31, 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Village had a general tax millage of 9.9783 for 2004. The Village's maximum allowable millage is 12 mills. For 2004, taxable value of properties was \$14,669,066.

Delinquent real property taxes are turned over to the County and reimbursed through a revolving fund. Therefore, property taxes receivable are not accounted for under the 60 day rule.

3. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	20
Buildings	20 – 75
Machinery, equipment, and furnishings	5 – 20
Utility systems	20 – 50
Infrastructure	20

4. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

VILLAGE OF CLAYTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
March 31, 2005

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary information

The accounting basis used by the Village for budgeting is in accordance with accounting principles generally accepted in the United States of America (GAAP).

The Village follows the budgetary procedures outlined by the State of Michigan including public hearings and proper adoption. All funds of the Village have a budget. All annual appropriations lapse at fiscal year end. The budgets are amended during the year as needed.

B. Excess of expenditures over appropriations in budgetary funds

P.A. 621 of 1978, Section 18(1), as amended, of the State of Michigan provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Village's actual expenditures and budgeted expenditures for the budgetary funds have been shown on an activity basis. The approved budgets of the Village for these budgetary funds were adopted to the activity level.

During the year ended March 31, 2005, the Village incurred expenditures in the General Fund which were in excess of the amounts appropriated, as follows:

<u>Fund</u>	<u>Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
General Fund			
General Government:			
Insurance	\$ 14,000	\$ 16,548	\$ 2,548
Miscellaneous	4,210	11,342	7,132
Advertising	-	113	113
Public Health and Safety:			
Building inspections	850	862	12
Fire	17,174	17,328	154

These additional expenditures were funded by greater than anticipated revenues in the case of the General Fund.

VILLAGE OF CLAYTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

March 31, 2005

NOTE 3. DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

Primary Government

Deposits. At year end, the carrying value of the Village's deposits was \$156,744 and the bank balance was \$161,763. The total bank balance is classified in the following three categories of credit risk: (1) Insured or collateralized with securities held by the Village or by its agent in the Village's name. (2) Collateralized with securities held by a pledging financial institution's trust department or agent in the Village's name. (3) Uncollateralized. (This includes any bank balance that is collateralized with securities held by a pledging financial institution or by its trust department or agent but not in the Village's name.)

Due to higher cash flows during certain times of the year, especially when property taxes are being collected, deposits of the Village increase significantly. As a result, the amounts classified in category 3 at those times of year were substantially higher than at year end.

	<u>CATEGORIES</u>			
	<u>1</u>	<u>2</u>	<u>3</u>	<u>Total</u>
Checking accounts	<u>\$ 108,854</u>	<u>\$ -</u>	<u>\$ 52,909</u>	<u>\$ 161,763</u>

Bank balances shown in Category 1 are insured by Federal Depository Insurance.

All deposits are with banks located in Michigan as required by statutes.

Primary Government

Investments. The Village's investments are classified in the following three categories of credit risk: (1) Insured or registered, or securities held by the Village or its agent in the Village's name. (2) Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Village's name. (3) Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Village's name.

The Village had investments with carrying value and bank balance of \$113,000 at year end.

	<u>CATEGORIES</u>			
	<u>1</u>	<u>2</u>	<u>3</u>	<u>Total</u>
Certificates of Deposit	<u>\$ 113,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 113,000</u>

VILLAGE OF CLAYTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

March 31, 2005

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

B. Receivables

Receivables as of year end for the government's major funds and nonmajor fund, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General Fund</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Sewer Fund</u>	<u>Equipment Fund</u>	<u>Total</u>
Receivables:						
Taxes	\$ 2,226	\$	\$	\$	\$	\$ 2,226
Accounts	<u>3,508</u>	<u> </u>	<u> </u>	<u>7,004</u>	<u> </u>	<u>10,512</u>
Gross receivables	5,734	-	-	7,004	-	12,738
Less: Allowance for uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net total receivables	<u>\$ 5,734</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,004</u>	<u>\$ -</u>	<u>\$ 12,738</u>

C. Capital assets

Capital asset activity for the year ended March 31, 2005 was as follows:

Primary Government

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 7,116	\$	\$	\$ 7,116
Construction in progress	<u>73,337</u>	<u> </u>	<u>73,337</u>	<u> </u>
Total capital assets, not being depreciated	<u>80,453</u>	<u>-</u>	<u>73,337</u>	<u>7,116</u>
Capital assets, being depreciated:				
Land improvements	31,996			31,996
Buildings	128,511	90,000		218,511
Equipment, machinery, furnishings, and books	162,406	16,000	5,304	173,102
Infrastructure – roads	<u>224,461</u>	<u> </u>	<u> </u>	<u>224,461</u>
Total capital assets, being depreciated	<u>547,374</u>	<u>106,000</u>	<u>5,304</u>	<u>648,070</u>
Less: Accumulated depreciation for:				
Land improvements	(10,665)	(640)		(11,305)
Buildings	(63,799)	(4,273)		(68,072)
Equipment, machinery, furnishings, and books	(108,490)	(8,180)	5,304	(111,366)
Infrastructure	<u>(112,231)</u>	<u>(11,223)</u>	<u> </u>	<u>(123,454)</u>
Total accumulated depreciation	<u>(295,185)</u>	<u>(24,316)</u>	<u>5,304</u>	<u>(314,197)</u>
Total capital assets, being depreciated, net	<u>252,189</u>	<u>81,684</u>	<u>-</u>	<u>333,873</u>
Governmental activities, capital assets - net	<u>\$ 332,642</u>	<u>\$ 81,684</u>	<u>\$ 73,337</u>	<u>\$ 340,989</u>

VILLAGE OF CLAYTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
March 31, 2005

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 28,625	\$ -	\$ -	\$ 28,625
Capital assets, being depreciated:				
Sewer system	1,546,926	-	-	1,546,926
Total capital assets, being depreciated	1,546,926	-	-	1,546,926
Less: Accumulated depreciation for:				
Sewer system	(294,055)	(30,961)		(325,016)
Total accumulated depreciation	(294,055)	(30,961)	-	(325,016)
Total capital assets, being depreciated – net	1,252,871	(30,961)	-	1,221,910
Business-type activities, capital assets – net	\$ 1,281,496	\$ (30,961)	\$ -	\$ 1,250,535

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 5,140
Public health and safety	1,154
Culture and recreation	5,439
Highways and streets	12,583
Total depreciation expense – governmental activities	\$ 24,316
Business-type activities:	
Sewer system	30,961
Total depreciation expense – business-type activities	\$ 30,961

VILLAGE OF CLAYTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
March 31, 2005

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

D. Interfund receivables, payables, and transfers

Primary Government

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
Due to/from other funds:			
Sewer	\$ <u>2,532</u>	General	\$ <u>2,532</u>
Advances from/to other funds:			
Sewer	\$ <u>40,000</u>	General	\$ <u>40,000</u>

Interfund transfers:

	<u>Transfers In</u>
Transfers out:	<u>Local Street</u>
Major Street	\$ <u>6,782</u>
	<u>Total</u>
	\$ <u>6,782</u>